Hovsepian v. Apple, Inc. Doc. 32

IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

IN RE: ACACIA MEDIA TECHNOLOGIES CORPORATION.	) C-05-01114-JW
	) OCTOBER 29, 2008
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THE PROCEEDINGS WERE HELD BEFORE

THE HONORABLE UNITED STATES DISTRICT

JUDGE JAMES WARE

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(APPEARANCES CONTINUED ON THE NEXT PAGE.)

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SAN JOSE, CALIFORNIA OCTOBER 29, 2008

P R O C E E D I N G S

(WHEREUPON, COURT CONVENED AND THE FOLLOWING PROCEEDINGS WERE HELD:)

THE CLERK: IN RE: ACACIA MEDIA TECHNOLOGIES.

THE COURT: PERHAPS WE CAN PROCEED ON THE OTHER MATTER, ACACIA VERSUS NEW DESTINY.

COUNSEL, STEP FORWARD AND STATE YOUR APPEARANCES.

MR. DORMAN: GOOD MORNING. ROD DORMAN AND ALAN BLOCK ON BEHALF OF THE PLAINTIFF.

AND, YOUR HONOR, IF I MAY, MR. LEE, WHO USED TO BE THE CLIENT REPRESENTATIVE IS NO LONGER WITH ACACIA, BUT I WOULD LIKE TO INTRODUCE TWO PEOPLE SITTING WITH US AT COUNSEL TABLE, MR. KARLTON BUTTS AND ED TRESKA FROM THE CLIENT.

THE COURT: GOOD MORNING.

MR. TRESKA: GOOD MORNING.

MR. BENYACAR: GOOD MORNING. DAVID BENYACAR REPRESENTING TIME WARNER CABLE, INC.

MR. HERSHKOWITZ: GOOD MORNING. BEN HIRSHKOWITZ FROM GIBSON, DUNN & CRUTCHER REPRESENTING DEFENDANTS CSC HOLDINGS.

MS. DURIE: GOOD MORNING. DARLYN DURIE FROM KEKER & VAN NEST.

MR. KREEGER: GOOD MORNING. MATTHEW KREEGER FROM MORRISON & FOERSTER REPRESENTING ECHOSTAR.

THE COURT: VERY WELL. THIS IS A HEARING THAT I SET UP AFTER ISSUING AN ORDER TO SHOW CAUSE.

THE BACKGROUND IS RECITED IN THE ORDER ITSELF, AND WE'RE ALL FAMILIAR WITH IT SO I NEED NOT RECITE IT HERE ON THIS RECORD.

BUT IT APPEARS TO ME THAT A SIMILAR MOTION WAS BEING MADE BY ACACIA WHEN WE WERE HERE PREVIOUSLY AND -- BUT IT DIDN'T -- IT SOUNDED TO ME IN THE PREVIOUS MOTION AS THOUGH IT WAS LIMITED TO A FINDING WITH RESPECT TO A PARTICULAR DEFENSE AND ONLY A PARTICULAR DEFENSE AND LEAVING OTHER ISSUES TO BE RESOLVED LATER.

AND I -- WHEN I READ THE MOTION ACTUALLY THAT WAS FILED BY ACACIA AS PART OF THE BRIEFING ON THE SUBSEQUENT PROCEEDINGS THAT THE COURT SET UP, IT APPEARS TO ME THAT THERE HAD BEEN A CHANGE. AND SO I WANTED TO MAKE CERTAIN OF THAT BEFORE I ISSUED THE SUMMARY JUDGMENT THAT APPEARED TO BE MOVED FOR BY ACACIA.

AND SO WHAT I WOULD DO IS CALL ON ACACIA

TO SPEAK FURTHER TO ITS MOTION IF YOU WISH.

MR. DORMAN: YOUR HONOR, WHAT OUR MOTION DID WAS SIMPLY PROPOSE THAT THE COURT ENTER SUMMARY JUDGMENT OF INVALIDITY ONLY.

THE REASON WHY THIS MATTER WOULD THEN BE CONCLUDED WAS THAT WE WOULD ASK THE COURT SIMPLY TO DISMISS WITHOUT PREJUDICE THE COUNTERCLAIMS RELATING TO NONINFRINGEMENT AND UNENFORCEABILITY.

THIS IS PRECISELY THE PROCESS THAT THE COURT DESCRIBED IN THE NYSTROM DECISION.

IN THE NYSTROM DECISION, AND THERE'S ONLY ONE SMALL DIFFERENCE THERE, AND IS THAT AS THE COURT HAS DONE HERE, THE LOWER COURT IN NYSTROM DID A CLAIM CONSTRUCTION DETERMINATION, AS THIS COURT HAS DONE, BASED UPON THAT CLAIM CONSTRUCTION DETERMINATION, THE NYSTROM PLAINTIFF UNDERSTOOD THAT THEY COULD NO LONGER PROVE INFRINGEMENT IN THAT CASE.

WHAT NYSTROM DID IS THAT THEY WENT TO THE COURT AND THEY ASKED THAT JUDGMENT BE ENTERED AGAINST NYSTROM FOR NONINFRINGEMENT AND FOR THE COURT TO DISMISS WITHOUT PREJUDICE THE OTHER ISSUES TO BE REVIVED IF IN THE EVENT ON APPEAL THE COURT WERE NOT AFFIRMED.

THE ERROR THAT THE TRIAL COURT DID IN

NYSTROM THAT IS ADDRESSED IN THE FEDERAL CIRCUIT DECISION IS THAT INSTEAD OF FOLLOWING THE SUGGESTION OF THE PLAINTIFF TO DISMISS WITHOUT PREJUDICE THESE OTHER ISSUES, IT INSTEAD STAYED THOSE OTHER ISSUES.

WHEN IT WENT UP ON APPEAL BEFORE THE FEDERAL CIRCUIT, THE FEDERAL CIRCUIT LOOKED AT THE RECORD AND SAID IT WAS FINE TO ENTER JUDGMENT WITH RESPECT TO THIS ISSUE BUT YOU CAN'T STAY THESE MATTERS. BECAUSE THEY'VE BEEN STAYED AND NOT DISMISSED, THEY HAVE -- THIS IS NOT A FINAL APPEALABLE ORDER AND THE APPEAL WAS DISMISSED FOR LACK OF JURISDICTION.

WHAT OCCURRED THEN IS THAT IT WENT BACK DOWN, IN A SENSE IT NEVER HAD GONE UP BECAUSE THE APPEAL JURISDICTION WAS DISMISSED, AND THE TRIAL COURT DID EXACTLY WHAT THE PLAINTIFF HAD FIRST REQUESTED, ENTERED -- FOUND SUMMARY JUDGMENT OF NONINFRINGEMENT AND DISMISSED WITHOUT PREJUDICE THE OTHER COUNTERCLAIMS.

NOW, WHAT THE FEDERAL CIRCUIT DID IN THE NYSTROM DECISION IS THAT IT WENT BEYOND SIMPLY SAYING THAT THIS -- YOU DON'T HAVE APPELLATE JURISDICTION BECAUSE IT'S NOT A FINAL ORDER BECAUSE YOU STAYED, NOT DISMISSED WITHOUT PREJUDICE, THOSE

OTHER CLAIMS.

IT RECITED FOUR DIFFERENT WAYS THAT A TRIAL COURT SHOULD, IN FACT, OR COULD PREPARE A CASE FOR TRIAL.

THEY CAN GO THROUGH ALL OF THE CLAIMS, ET CETERA, AND A BIG TRIAL AND ADJUDICATE ALL OF THEM. IT CAN FIGURE OUT ENOUGH -- IN OTHER WORDS, IT'S ADDRESSED IN THE NUMBER TWO OPTION IN NYSTROM IS EXACTLY WHAT HAPPENED IN THAT CASE AND WHAT WE BELIEVE EXISTS HERE.

THAT IS, THAT EVERY ONE OF THE ASSERTED CLAIMS, THE REMAINING ASSERTED AGAINST THESE DEFENDANTS HAVE BEEN ADJUDICATED INVALID BY VIRTUE OF YOUR -- BY VIRTUE OF FOUR DETERMINATIONS THAT YOU HAVE MADE.

ONE, THAT SEQUENCE ENCODER IS INDEFINITE; TWO, THAT IDENTIFICATION ENCODER IS INDEFINITE; THREE, THAT YOUR MOST RECENT CONSTRUCTION OF TRANSMISSION SYSTEM REQUIRES IDENTIFICATION ENCODER IN EVERY SINGLE ONE OF THOSE; AND FINALLY, THAT THERE'S A CENTRAL PROCESSING STATION THAT EXISTS IN ONE OF THE CLAIMS OR MORE THAN ONE OF THE CLAIMS CONTAINS A CENTRAL PROCESSING SYSTEM.

SO EVERY ONE OF THE ASSERTED CLAIMS IS INVALID AS THE COURT HAS INDICATED.

NOW, THE EFFECT OF THAT IS THAT WE HAVE AN INVALID PATENT, INVALID CLAIMS FOR THE ASSERTION OF THE PATENT.

HOW DO WE GET UP? THE COURT TELLS US, AND THIS COURT IS MINDFUL THAT WE CAN'T DO A PIECEMEAL APPEAL.

BUT WHAT THE COURTS REPEATEDLY DO AND WHAT WE URGE AND WHAT OUR PROPOSED FORM OF SUMMARY JUDGMENT PROPOSED WAS NOT THAT WE CONSENT TO A FINDING OF NONINFRINGEMENT AND UNENFORCEABILITY BUT THAT THE COURT DISMISS THOSE COUNTERCLAIMS WITHOUT PREJUDICE SO THAT THERE IS A FINAL DECISION THAT IS AN APPEALABLE DECISION BASED UPON ITS DETERMINATION THAT THESE CLAIMS ARE INVALID.

THAT'S OUR POSITION.

THE COURT: ALL RIGHT. NOW, LET ME CLARIFY BECAUSE I DO PERCEIVE A CHANGE IN YOUR POSITION BUT IT MIGHT BE A CHANGE THAT DOESN'T HAVE ANY BEARING ON WHAT YOU WOULD WISH THE COURT TO DO.

LET ME JUST CLARIFY, IS IT YOUR POSITION THAT UNDER THE COURT'S CONSTRUCTION THE DEFENDANTS' ACCUSED PRODUCTS STILL INFRINGE?

MR. DORMAN: WELL, IT'S -- I CAN'T ANSWER THAT QUESTION BECAUSE UNDER THE COURT'S CONSTRUCTION, ONE, THERE'S BEEN NO DISCOVERY TO

KNOW.

TWO, WHERE YOU INDICATE IT'S INDEFINITE, YOU KNOW, THERE IS NOT A DESCRIPTION OF THIS -- OF THESE ELEMENTS IN A WAY THAT I COULD EVEN KNOWLEDGEABLY APPLY AN INFRINGEMENT ANALYSIS.

I DON'T THINK WE CAN EVEN SPEAK TO THE ISSUE OF INFRINGEMENT. THERE'S BEEN NO DISCOVERY ABOUT THAT. THERE'S BEEN NO FINAL DETERMINATION OR -- THAT INDEFINITENESS DETERMINATION BY THE COURT BASICALLY SAYS THAT I DON'T KNOW WHAT THIS IS. ONE OF ORDINARY SKILL IN THE ART COULD NOT UNDERSTAND WHAT IT IS THAT YOU'RE TALKING ABOUT, OKAY.

IN A SENSE, THAT PRECLUDES AN INFRINGEMENT ANALYSIS WHICH FIRST REQUIRES YOU TO KNOW WHAT IT MEANS AND THEN MEASURE THAT MEANING AGAINST THE ACCUSED PRODUCT.

SO THAT'S ONE OF THE REASONS THAT INDEPENDENTLY COMMANDS IN THIS INSTANCE YOU SIMPLY AT THIS POINT IN TIME TO DISMISS WITHOUT PREJUDICE THE COUNTERCLAIM FOR THE DECLARATORY RELIEF FOR NONINFRINGEMENT BECAUSE WHEN WE GO UP, WHEN WE GO UP ON APPEAL, ONE OF TWO THINGS IS GOING TO HAPPEN: YOU'RE GOING TO BE AFFIRMED, OR THE FEDERAL CIRCUIT IS GOING TO LOOK AT THE INTRINSIC PATENT DOCUMENTS

AND SAY, NO, THESE ARE NOT INDEFINITE BUT WHAT TO ONE OF ORDINARY SKILL IN THE ART IT WOULD HAVE MEANT IS THIS. THEN WE'RE GOING TO COME BACK DOWN AND THEN WE WILL KNOW WHAT THEY MEAN AND THEN WE CAN HAVE DISCOVERY AND FIND OUT WHAT THE PEOPLE ARE DOING TO DETERMINE IF, IN FACT, THERE IS INFRINGEMENT.

THE COURT: WELL, I CAN'T PERCEIVE A DIFFERENCE IN ANSWERING THE QUESTION, YES.

IN OTHER WORDS, IF I HAVE CONSTRUED THE CLAIMS, IT SEEMS TO ME THAT AT THE HEART OF YOUR POSITION IS THAT UNDER THAT CONSTRUCTION I CANNOT PROVE INFRINGEMENT BECAUSE THERE ARE ELEMENTS THERE THAT I WOULD HAVE TO PROVE ARE IN THE ACCUSED PRODUCT, WHICH I CAN'T PROVE BASED UPON THE COURT'S CONSTRUCTION OR LACK OF CONSTRUCTION; AND, THEREFORE, I CAN'T PROVE INFRINGEMENT.

THAT WOULD PUT ME IN A POSITION OF SAYING, ALL RIGHT, IF YOU CAN'T PROVE INFRINGEMENT AND YOU WISH THE COURT TO ENTER JUDGMENT, ISN'T IT ALL STILL BASED ON THE COURT'S CONSTRUCTION SO THAT IF I'M OVERTURNED ON CONSTRUCTION AND THERE IS NEW CONSTRUCTION THAT COMES DOWN YOU'RE ABLE TO THEN SAY UNDER THE NEW CONSTRUCTION, I CAN PROVE INFRINGEMENT?

MR. DORMAN: BUT, YOUR HONOR, I'M NOT IN A POSITION, AND PLEASE APPRECIATE THIS, WE HAVE HAD NO DISCOVERY ON THE ACCUSED PRODUCTS. THAT HASN'T HAPPENED IN THIS CASE, OKAY.

ONE OF THE THINGS IN THE CURRENT CONSTRUCTION --

THE COURT: WELL, THAT'S A FAIR RESPONSE. IN OTHER WORDS, ALTHOUGH YOU NAME ACCUSED PRODUCTS, YOU DON'T HAVE ENOUGH BASIS TO KNOW WHETHER THEY INFRINGE UNDER THE CURRENT CONSTRUCTION ONE WAY OR THE OTHER.

MR. DORMAN: RIGHT, RIGHT. AND THEY MAY FOR ALL I KNOW.

THE COURT: AND YOU WOULD WISH DISCOVERY BEFORE WANTING TO DO THAT.

AND THAT WOULD PUT ME IN A POSITION OF SAYING, OKAY, LET'S GO FORWARD IN THE CASE.

ESSENTIALLY YOU'RE COMING BACK THEN, IT SOUNDS TO ME TO THE MOTION WHICH WAS MADE EARLIER WHICH IS TO MAKE A FINDING ON THE DEFENSE OF INVALIDITY BECAUSE AS OF THIS POINT THERE HAS BEEN NO FINDING OF INVALIDITY. THERE'S BEEN NO ADJUDICATION THAT THE PATENTS ARE INVALID.

THERE HAS BEEN A DETERMINATION THAT THERE ARE TERMS THAT ARE INDEFINITE, BUT I HAVE INVITED

THE PARTIES TO MOVE FOR SUMMARY JUDGMENT OF INVALIDITY WHICH WOULD BE AN ADJUDICATION BUT I'M NOT SURE MY RECORD -- MY MEMORY MAY BE FAULTY ON THIS, BUT I DON'T THINK I HAVE GOTTEN THERE YET. INDEFINITE IS NOT INVALID.

THERE COULD BE INDEFINITE TERMS THAT COULD BE SUPPLIED IN DIFFERENT WAYS BY ONE OF SKILL IN THE ART THAT WOULD STILL LEAD A COURT TO CONCLUDE THAT IT COULD FIND THE PATENT VALID.

BUT THERE ARE SOME TERMS, THE INDEFINITENESS OF WHICH WOULD RENDER THE PATENT INVALID. AND MAYBE WE'RE THERE, AND I'M BEING INVITED NOW TO FIND THE PATENTS ARE INVALID FOR INDEFINITENESS.

IF I GET THAT DONE AND THAT IS AN ADJUDICATION, THEN THERE WOULD BE A MOTION TO SAY THAT'S A SUFFICIENTLY CRUCIAL ISSUE THAT YOU SHOULD UNDER RULE 50 NOW DIVIDE THE CASE AND LET IT GO UP ON APPEAL ON THAT ISSUE ONLY.

MR. DORMAN: I'M NOT ASKING FOR A RULE 54(B), AND I BELIEVE THAT'S WHERE YOU BIFURCATE. THERE'S NO BIFURCATION REQUEST IN HERE.

IF WE LOOK AT WHAT THE COURT DID IN NYSTROM AND WHAT THE LOWER COURT DID WHEN THEY GOT IT BACK, IF WE LOOK AT THE YORK PRODUCT CASE AND

THE PACEMAKERS CASE IS THAT WE ARE CREATING A FINAL JUDGMENT.

THE LAW IS ONCE YOU HAVE A DETERMINATION -- WHICH YOU DO. AND BY THE WAY, LET ME BACK UP.

THE DEFENDANTS WILL CORRECT ME IF I'M WRONG AT ALL, BUT I BELIEVE THERE'S NO DISPUTE THAT THE LEGAL CONSEQUENCE OF WHAT YOU HAVE RULED UPON CONCERNING INDEFINITENESS IS THAT THE ASSERTED CLAIMS, ALL OF THE ASSERTED CLAIMS NOW ARE INVALID.

THE COURT: YES, BUT I HAVEN'T DECLARED IT.

MR. DORMAN: YES, AND I BELIEVE YOU HAVEN'T DECLARED IT YET AND OUR DISPUTE IS PROCEDURALLY THEY WANT TO CONTINUE TO KEEP THIS MATTER HERE AND HAVE YOU LOOK AT ALL OF THESE OTHER THINGS.

AND OUR -- YOU KNOW, WE'RE URGING YOU BECAUSE OF THIS DEPLETING ASSET THAT IS THIS PATENT, THAT THIS IS SO SEMINAL, IT NEEDS TO GO UP NOW AND YOU DON'T HAVE TO DO IT IN A WAY THAT YOU SEEK CERTIFICATION. YOU DON'T HAVE TO DO IT IN A WAY THAT YOU BIFURCATE.

THE WAY THE COURTS HAVE NOW INDICATED THE FEDERAL CIRCUIT HAS BLESSED THE VERY THING THAT

WE'RE PROPOSING IS THAT THESE DECLARATORY RELIEF CLAIMS THAT THEY HAVE NOW OF UNENFORCEABILITY AND NONINFRINGEMENT APPEND, IF YOU WILL, TO THE CONTROVERSY THAT EXISTED WHEN WE FILED THE LAWSUIT.

ONCE YOU DETERMINE, AS WE BELIEVE ALL PARTIES AGREE THAT THESE -- THAT YOU HAVE EFFECTIVELY DETERMINED THESE ARE INVALID FOR THESE REASONS, EVEN THOUGH THEY WOULD LIKE YOU TO SAY OTHER REASONS, WE NO LONGER HAVE A CONTROVERSY WHICH THESE DECLARATORY RELIEF CLAIMS APPEND TO AS A PRACTICAL MATTER FOR.

BUT WE DON'T HAVE TO GO THERE FOR JURISDICTIONAL ISSUES. THE COURT HAS MADE CLEAR AND IF YOU LOOK AT THE JUDGE BARCRAB'S DECISION IN Z TRIM HOLDINGS, WHICH WAS A RECENT DECISION, SHE UNDERSTANDS THE PROCESS THAT WE TALKED ABOUT IS PRECISELY WHAT WE OUGHT TO BE DOING. NOW THAT THIS IS RESOLVED, WE OUGHT TO DISMISS WITHOUT PREJUDICE.

SO THE ONLY MATTER GOING UP TO THE FEDERAL CIRCUIT IS THAT WHICH HAS REALLY TERMINATED THIS LITIGATION.

THE COURT: WELL NOW, LET ME BACK UP AND GET CLEAR.

FIRST, IT IS TRUE THAT THE STATEMENT MADE IN YOUR MOTION IS PURSUANT TO FEDERAL RULE OF CIVIL

PROCEDURE 66(C), THE COURT SHOULD RENDER JUDGMENT IN FAVOR OF DEFENDANTS ON ACACIA'S PATENT INFRINGEMENT CLAIMS AND IN FAVOR OF DEFENDANTS ON THEIR COUNTERCLAIMS FOR PATENT INVALIDITY AS THERE IS NO GENUINE ISSUE OF MATERIAL FACT AS TO THE INVALIDITY OF THE ASSERTED PATENT CLAIMS AND ACACIA, AS THE MOVING PARTY, IS ENTITLED TO JUDGMENT AS A MATTER OF LAW?

NOW, I DID QUARREL WITH THAT LANGUAGE IN MY ORDER TO SHOW CAUSE BECAUSE ACACIA IS ESSENTIALLY MOVING FOR JUDGMENT AS A MATTER OF LAW AGAINST ITSELF.

BUT WHEN I SAW THE INCLUSION OF ACACIA'S PATENT INFRINGEMENT CLAIMS IN THE MOTION, THAT LEAD ME TO BELIEVE THAT I WAS THEN IN A POSITION TO RENDER AN APPEALABLE ORDER, FINALLY AN APPEALABLE ORDER WHICH INCLUDED EVERYTHING.

AND NOW I UNDERSTAND THAT YOU'RE NOT MOVING FOR SUMMARY JUDGMENT ON ACACIA'S PATENT INFRINGEMENT CLAIMS?

MR. DORMAN: NO. THE STATEMENT THAT YOU READ WHERE WE MENTION INFRINGEMENT IS THAT WE CAN'T MAINTAIN A CLAIM FOR INFRINGEMENT ON AN INVALID PATENT SO THAT OUR CLAIM, IN OTHER WORDS, OUR -- YOU KNOW, WE'RE SEEKING PATENT INFRINGEMENT AND

THERE'S BEEN A DETERMINATION THAT IT IS INVALID, THEREFORE, THEY ARE ENTITLED TO JUDGMENT ADVERSE TO US ON OUR INFRINGEMENT CLAIM BECAUSE IT'S INVALID, NOT BECAUSE THERE'S BEEN A SHOWING OF NONINFRINGEMENT.

THE COURT: YES, I UNDERSTAND THE LEGAL CONCEPT THAT YOU'RE OPERATING UNDER BUT THE QUESTION OF INFRINGEMENT AND INVALIDITY ARE TWO SEPARATE CONCEPTS THAT REQUIRE TWO SEPARATE ANALYSES.

AND IT DOES SEEM TO ME THAT IT IS NOT THE LAW THAT COURTS SHOULD NOT FIND A PATENT IS INVALID AND NOT INFRINGED.

IN OTHER WORDS, YOU WOULD SAY THAT LAST STATEMENT IS A NULLITY, A LEGAL NULLITY. THE COURTS CAN MAKE DETERMINATIONS WITH RESPECT TO WHETHER ACCUSED PRODUCTS INFRINGE PATENTS AND WHETHER THE PATENT IS INVALID, INDEPENDENTLY, BECAUSE IT COULD HAVE TO DO WITH VARIOUS CLAIMS, IT COULD HAVE TO DO WITH TIMING AND IT CREATES SEPARATE ISSUES ON APPEAL BECAUSE THE COURT COULD REVERSE IN PART, REMAND IN PART.

MR. DORMAN: I AGREE.

THE COURT: SO I SEE THEM AS SEPARATE LEGAL CONCEPTS THAT THE COURTS DEAL WITH SEPARATELY

ALL OF THE TIME BUT OFTEN THEY ARE CONSIDERED IN TANDEM.

AND IF I UNDERSTAND YOUR POSITION NOW, IF A DEFENDANT WERE TO MOVE FOR SUMMARY JUDGMENT OF NONINFRINGEMENT, YOU WOULD OPPOSE THAT MOTION ON THE GROUNDS THAT YOU HAVE NOT HAD SUFFICIENT DISCOVERY?

MR. DORMAN: CORRECT.

THE COURT: SO YOU DO NOT WISH A SUMMARY JUDGMENT OF NONINFRINGEMENT?

MR. DORMAN: CORRECT.

THE COURT: NOW, I WOULD HAVE AVOIDED THIS WHOLE HEARING IF I UNDERSTOOD THAT TO BE THE CASE.

BUT LET ME SEE IF I CAN TAKE ADVANTAGE OF THIS AND UNDERSTAND WHAT IT IS THAT YOU'RE ASKING THE COURT TO DO.

I UNDERSTAND WHAT YOU'RE ASKING THE COURT TO DO ON THE DEFENDANTS' -- IT'S NOT A COUNTERCLAIM BUT IT'S AN AFFIRMATIVE DEFENSE BEING ASSERTED BY THE DEFENDANTS THAT THE PATENTS ARE INVALID.

YOU WOULD ON THE BASIS OF THE CLAIM CONSTRUCTION MOVE, AND I'M NOT SURE WHY YOU WOULD, BUT YOU WOULD MOVE TO HAVE THE COURT GRANT SUMMARY JUDGMENT IN FAVOR OF THE DEFENDANTS ON THEIR

AFFIRMATIVE DEFENSE THAT THE PATENTS ARE INVALID.

MR. DORMAN: YOU KNOW, MAYBE WE HAVE A SLIGHTLY DIFFERENT VIEW ABOUT THIS. I DON'T THINK OF IT THAT WAY.

WHAT HAPPENS IS THAT AN AFFIRMATIVE DEFENSE IS A DEFENSE TO A PLEADED CLAIM FOR RELIEF UNDER RULE 8.

WHAT THEY HAVE IS AN AFFIRMATIVE CLAIM IN THEIR COUNTERCLAIM FOR INVALIDITY, SO WHAT -- I DON'T SEE -- I MEAN, MAYBE TECHNICALLY IT'S CORRECT, BUT I FOCUS ON THEIR AFFIRMATIVE COUNTERCLAIM FOR INVALIDITY THAT IS REALLY GETTING ADJUDICATED BECAUSE THAT PRESENTS, YOU KNOW, FORESQUARELY INDEPENDENTLY THE ISSUES THAT THEY RAISE, NOT SIMPLY TRYING TO DEFEND AGAINST A CLAIM THAT WE HAVE BROUGHT.

THE COURT: WELL, THE REASON I CALL IT AN AFFIRMATIVE DEFENSE IS JUST TO KEEP IT CLEAR IN MY MIND. I USUALLY THINK OF COUNTERCLAIMS AS AN ATTEMPT BY A DEFENDANT TO RECEIVE RELIEF FROM THE PLAINTIFF.

AND IF YOU'RE SAYING A REASON THAT THE PLAINTIFF IS NOT ENTITLED TO RELIEF, THAT'S AN AFFIRMATIVE DEFENSE.

IN OTHER WORDS, THERE'S NO ATTEMPT, IF

THE DEFENDANTS WERE SEEKING MONEY DAMAGES BACK FROM THE PLAINTIFF, THAT WOULD QUALIFY AS A COUNTERCLAIM.

BUT IF THE DEFENDANT IS RAISING LAST CLEAR CHANCE, ASSUMPTION OF THE RISK, INVALIDITY OF THE PATENT, THAT'S AN AFFIRMATIVE DEFENSE MEANING THAT YOU CANNOT RECOVER MONEY FROM ME BECAUSE THERE IS A LEGAL REASON WHY YOUR CLAIM IS NO GOOD.

NOW, BUT I DON'T THINK THAT THAT DIFFERENCE DIVIDES US HERE. IT SEEMS TO ME THAT COURTS CAN GRANT SUMMARY JUDGMENT IN FAVOR OF A DEFENDANT ON A DEFENSE WHICH HAS THE EFFECT OF TERMINATING A PLAINTIFFS' RIGHT TO PROCEED ON A CLAIM. AND THAT'S WHAT YOU'RE ASKING THE COURT TO DO.

MR. DORMAN: OKAY. LET ME FOLLOW ALONG WITH YOU.

THEY HAVE A DECLARATORY RELIEF COUNTERCLAIM FOR INVALIDITY. I AGREE WITH YOU, I THINK OF COUNTERCLAIMS AS WHERE RELIEF IS BEING SOUGHT.

BUT I DON'T THINK OF IT NARROWLY IN A MONEY JUDGMENT CONTEXT OR A DOLLAR CONTEXT.

THEY'RE ACTUALLY SEEKING RELIEF. THAT RELIEF IS IN THE FORM OF A JUDICIAL DECLARATION, IN

THIS CASE WE WANT A JUDICIAL DECLARATION THAT THESE PATENTS ARE INVALID FOR THESE REASONS, OKAY.

SO THAT'S WHY -- AND THEY DON'T GET THAT FROM A DEFENSE, OKAY. ALL A DEFENSE, ALL A DEFENSE DOES TO OPERATE FOR THEM IS IF IT'S MERITORIOUS IS THAT I REPRESENTING THE PLAINTIFF AM NOT ENTITLED TO RELIEF THAT I'M SEEKING.

THE COURT: BUT THEY GET A JUDGMENT. I DON'T THINK WE NEED TO DELAY THERE. YOU'RE CORRECT.

IF IN ADDITION TO AN AFFIRMATIVE DEFENSE A DEFENDANT SEEKS A DECLARATORY JUDGMENT, ESSENTIALLY CONVERTING ITS AFFIRMATIVE DEFENSE INTO A REQUEST FOR A DECLARATORY JUDGMENT, IT'S THE SAME THING.

MR. DORMAN: RIGHT.

THE COURT: THEY WOULD BE ENTITLED TO A JUDGMENT FOR THE DEFENDANT WHETHER I EXPRESS IT AS I NOW DECLARE JUDGMENT FOR A JUDGMENT FOR THE DEFENDANT, IT OPERATES AS THE SAME.

MR. DORMAN: OKAY.

THE COURT: SO I UNDERSTAND, THOUGH, THAT YOU'RE MOVING FOR JUDGMENT IN FAVOR OF THE DEFENDANTS ON THEIR AFFIRMATIVE DEFENSE AND ON THEIR COUNTERCLAIM AS YOU'RE CALLING IT FOR A

DECLARATORY JUDGMENT IN THEIR FAVOR.

MR. DORMAN: WITH RESPECT TO INVALIDITY, YES.

THE COURT: WELL, NOW, OKAY. IS IT YOUR -- I INCLUDED INVALIDITY AS WELL AS UNENFORCEABILITY BECAUSE IT SEEMED TO ME THAT AS YOU ARE MAKING THE SAME ARGUMENT THAT AN INVALID PATENT CANNOT BE THE SUBJECT OF AN INFRINGEMENT ACTION, IT DOESN'T SEEM TO ME THAT YOU CAN ENFORCE IT EITHER.

I WANTED TO WRAP UP INTO ONE JUDGMENT EVERYTHING, AS MUCH AS I COULD, SO THAT THE CIRCUIT WOULD NOT HAVE OCCASION TO SAY, THERE IS STILL SOMETHING REMAINING TO BE DONE.

IF BY SAYING INVALIDITY ONLY YOU'RE SUGGESTING THAT THERE IS SOME PART OF THEIR DECLARATORY JUDGMENT ACTION THAT STILL REMAINS TO BE ADJUDICATED, I'M CONCERNED.

MAYBE THERE ISN'T AND I'M GOING TO HEAR IN A MOMENT IF I ACCEPT YOUR MOTION AND GRANT IT, WHETHER OR NOT THE DEFENSE HAS ANY CLAIM THAT WOULD REMAIN.

BUT IT'S THE OTHER PART THAT I'M TRYING TO GET TO. WHAT ELSE -- ONCE I GRANT THE JUDGMENT FOR THE DEFENDANTS, WHAT ELSE IS -- THAT I WOULD

NEED TO DO IN ORDER TO BRING THE ACTION TO A CLOSE?

YOU SUGGESTED DISMISSAL OF SOMETHING.

MR. DORMAN: YEAH. ALL YOU NEED TO DO IS TO ENTER A DISMISSAL WITHOUT PREJUDICE. IN FACT --

THE COURT: THIS WOULD BE AN INVOLUNTARY DISMISSAL?

MR. DORMAN: YES. YOU HAVE THE POWER ALONE TO DO THIS. AND I'LL TELL YOU, THERE IS A -- AND I'VE GOT THE DECISION. IF YOU LOOK AT THE ORDER THAT THE NYSTROM COURT AT U.S. DISTRICT LEXIS 25700 ENTERED AFTER IT CAME DOWN.

WE'RE IN THE CONTEXT OF INVALIDITY. THAT WAS IN THE CONTEXT OF INFRINGEMENT. IT'S JUST THAT TYPE OF -- ALSO IT'S IN THE Z TRIM HOLDINGS VERSUS FIBERGEL CASE AND THAT'S 2008 U.S. DISTRICT LEXIS 30498. THAT'S THE WESTERN DISTRICT OF WISCONSIN.

AND THE COURTS CLEARLY, AND I'D LIKE TO GIVE YOU TWO CITES WHERE THE PLAINTIFF HAS FILED A MOTION FOR SUMMARY JUDGMENT AGAINST ITSELF OR STIPULATED TO A JUDGMENT AGAINST ITSELF, AND THEN THE COURT CAN DISMISS WITHOUT PREJUDICE ON ITS OWN THAT WHICH REMAINS AND YOU HAVE A FINAL ORDER.

IF YOU LOOK AT YORK PRODUCTS VERSUS CENTRAL TRACTOR, 99 F. 3D 1568, 1571, FEDERAL CIRCUIT 1996; AND CARDIAC PACEMAKERS, 296 F.3D

1106, FEDERAL CIRCUIT 2002.

SO ALL YOU NEED TO DO IS ENTER THE PORTION THAT WE ALL AGREE IS OVER AND YOU UNILATERALLY DECIDE I'M GOING TO DISMISS WITHOUT PREJUDICE. IN THE EVENT THIS COMES BACK, THESE ISSUES WILL BE REVIVED, BUT I DON'T THINK THEY'RE GOING TO COME BACK BECAUSE, THIS IS YOU SPEAKING, BECAUSE I THINK I RULED CORRECTLY ON THIS AND THE MATTER WILL BE OVER. THAT WOULD BE THE APPROACH THESE COURTS HAVE TAKEN.

THE COURT: I'M SORRY. DISMISS WITHOUT PREJUDICE?

MR. DORMAN: WITHOUT PREJUDICE THEIR COUNTERCLAIMS, THEIR DECLARATORY RELIEF COUNTERCLAIMS FOR NONINFRINGEMENT AND UNENFORCEABILITY.

THE COURT: WHAT ABOUT YOUR CLAIMS?

MR. DORMAN: MY CLAIMS ARE GONE. SINCE I DON'T HAVE VALID PATENTS, I DON'T HAVE ANYTHING MORE LEFT.

THE COURT: WOULDN'T I ALSO NEED TO DISMISS THE PLAINTIFFS' CLAIMS?

MR. DORMAN: YES. I MEAN, WHAT HAPPENS?

THE COURT: THAT'S WHAT I WANT, I WANT A WHOLE LIST OF WHAT IT IS THAT I WOULD INVOLUNTARILY

DISMISS WITHOUT PREJUDICE.

THE COUNTERCLAIM FOR NONINFRINGEMENT, THE UNENFORCEABILITY AND THEN I WAS TRYING TO SEE IF I HAD A COMPLETE LIST.

MR. DORMAN: THE EFFECT OF THE INVALIDITY RULING IS TO CAUSE JUDGMENT TO BE ENTERED IN FAVOR OF DEFENDANTS AGAINST PLAINTIFF ON ALL OF THE PATENT INFRINGEMENT CLAIMS THAT WE HAVE ASSERTED BECAUSE THEY'RE INVALID.

THEN IN ADDITION, YOU SAY, AS TO THE REMAINING, AS TO THE REMAINING COUNTERCLAIMS, AND WHICH ARE -- THEY'RE DECLARATORY RELIEF CLAIMS OF NONINFRINGEMENT AND UNENFORCEABILITY, THOSE GET DISMISSED WITHOUT PREJUDICE.

THERE ARE ALSO CERTAIN TORT CLAIMS, STATE TORT CLAIMS THAT THE INTERNET DEFENDANTS, THE PHASE ONE DEFENDANTS ASSERTED. THOSE ARE UNDER SUPPLEMENTAL JURISDICTION OF 28 U.S.C. SECTION 1367(C)(3) AND THAT STATUTE PROVIDES THAT THE DISTRICT COURTS MAY DECLINE TO EXERCISE SUPPLEMENTAL JURISDICTION OVER A CLAIM IF THE DISTRICT COURT HAS DISMISSED ALL CLAIMS OVER WHICH IT HAS ORIGINAL JURISDICTION.

SO THE EFFECT OF YOU FINDING IN THEIR FAVOR WITH RESPECT TO INVALIDITY.

YOU DISMISSING WITHOUT PREJUDICE THEIR DECLARATORY RELEASE CLAIMS FOR UNENFORCEABILITY AND INFRINGEMENT, AND FURTHER WITH RESPECT TO THE REMAINING STATE TORT CLAIMS, YOU EXERCISE YOUR DISCRETION BY YOUR STATUTORY POWER TO SAY BECAUSE THESE OTHER CLAIMS ARE NO LONGER HERE, I'M NO LONGER GOING TO DEAL WITH THOSE.

THE COURT: AND THAT WOULD PUT THE PARTIES IN A POSITION WHERE THEY COULD PURSUE THEM IN STATE COURT?

MR. DORMAN: PURSUE THEM IN STATE COURT?

THE COURT: IT WOULD.

MR. DORMAN: YES, IT WOULD.

THE COURT: BUT I NEED TO HAVE YOU TELL ME, ALTHOUGH YOU HAVE SAID THE EFFECT OF GRANTING DECLARATORY JUDGMENT IN FAVOR OF THE DEFENDANTS WOULD AFFECT YOUR CLAIMS, I NEED TO ADJUDICATE YOUR CLAIMS, THE PLAINTIFFS' CLAIMS.

SO WHAT IS THE LANGUAGE THAT YOU WOULD HAVE ME USE WITH RESPECT TO THE ADJUDICATION WITH THE PLAINTIFFS' CLAIMS AGAINST THE DEFENDANT?

MR. DORMAN: YOUR HONOR, I PREPARED A PROPOSED FINAL JUDGMENT.

THE COURT: PASS IT UP.

MR. DORMAN: I DON'T HAVE COPIES.

THE CLERK: IS IT E-FILED?

MR. BLOCK: NO.

MR. DORMAN: THIS WAS A WORKING DOCUMENT. IT WAS A DRAFT OF SOMETHING.

THE COURT: WELL, THIS DOESN'T SAY IT AS EXPLICITLY AS I WOULD REQUEST IT, BUT IT GETS CLOSE.

IN OTHER WORDS, THE LANGUAGE THAT YOU WOULD HAVE ME ADOPT IF I GRANT YOUR MOTION IS THAT HAVING THE DEFENDANTS HAVING PREVAILED ON THEIR AFFIRMATIVE DEFENSE OF INVALIDITY, THE COURT WOULD ADJUDICATE YOUR CLAIMS IN FAVOR OF THE DEFENDANT.

I NEED TO ADJUDICATE YOUR CLAIMS. I CAN'T JUST SAY, HERE IS WHAT I'M DOING ON THE DECLARATORY JUDGMENT.

SO THE REASON I'M CONCERNED ABOUT THIS IS THAT THIS IS A PLAINTIFF MOTION.

BUT THE PLAINTIFF MOTION WOULD HAVE ME CLARIFY THAT IT'S CLEARLY ON THE BASIS OF MY CLAIM CONSTRUCTION SO AS TO PRESERVE YOUR RIGHT TO APPEAL, BUT I NEED TO ADJUDICATE THE PLAINTIFFS' CLAIMS AGAINST THE PLAINTIFF.

MR. DORMAN: YOUR HONOR, WHAT I WOULD DO, AND IF I COULD DO THIS ON THE RECORD, I AM READING WITH SOME, BECAUSE THIS WAS AN INFRINGEMENT, A

NONINFRINGEMENT DETERMINATION AS OPPOSED TO AN INVALIDITY DETERMINATION HERE.

BUT WHEN THE NYSTROM CASE WENT BACK TO THE DISTRICT COURT, AFTER HE HAD MADE THE STAY WITHOUT PREJUDICE, HE THEN ENTERS THE ORDER THAT YOU'RE ASKING ABOUT.

AND THIS IS THE LANGUAGE IN OUR CASE CONFORMING TO EXACTLY WHAT THE NYSTROM DECISION -- IT WOULD SAY, "IT IS ORDERED AND ADJUDGED THAT AS TO PLAINTIFFS' COMPLAINT FOR PATENT INFRINGEMENT AND DEFENDANTS' DECLARATORY COUNTERCLAIM FOR INVALIDITY THE COURT ENTERS JUDGMENT AGAINST PLAINTIFF AND IN FAVOR OF DEFENDANTS."

"FURTHER, IT IS ORDERED AND DECREED THAT THE REMAINDER OF DEFENDANTS' DECLARATORY JUDGMENT COUNTERCLAIMS ARE HEREBY DISMISSED WITHOUT PREJUDICE. DEFENDANTS WILL BE ALLOWED TO ASSERT ALL SAID COUNTERCLAIMS IN THEIR CURRENT FORM IN THE EVENT THAT THIS MATTER IS REMANDED FOR FURTHER CONSIDERATION AND THE COUNTERCLAIMS MAY BE REINSTATED IN THEIR CURRENT FORM IN THE EVENT THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT REVERSES OR REMANDS THIS CASE BACK TO THIS COURT SUBJECT TO THE PROVISIONS OF THE FEDERAL RULES OF CIVIL PROCEDURE RELATING TO THE FURTHER

AMENDMENT OF PLEADINGS AND OTHERWISE WITHOUT PREJUDICE TO THE RIGHTS OF THE PARTIES."

THE COURT: AND THE CIRCUIT HAS SEEN THAT?

MR. DORMAN: THIS WAS WHAT THE DISTRICT COURT DID AFTER THIS WAS SENT DOWN, BUT THIS IS DONE PURSUANT TO THE DIRECTIVE IN THE FEDERAL CIRCUIT CASE.

THE COURT: MAYBE. SOMETIMES DISTRICT JUDGES THINK THEY'RE ACTING PURSUANT TO THE DIRECTIVE AND THE CIRCUIT SAYS THAT'S NOT WHAT WE HAVE MEANT.

SO THAT'S NOT BEEN SEEN BY THE CIRCUIT COURT YET?

MR. DORMAN: I DON'T KNOW YET.

THE COURT: I THINK I UNDERSTAND WHAT YOU WANT ME TO DO.

NOW, WHY SHOULDN'T I DO THAT?

MR. BENYACAR: THANK YOU, YOUR HONOR. THERE ARE A NUMBER OF REASONS WHY YOU SHOULDN'T DO THAT. BUT JUST TO BE CLEAR, I THINK THE ANSWER TO YOUR ORIGINAL QUESTION IS THAT THIS IS PRECISELY THE SAME RELIEF THAT ACACIA REQUESTED OF THE COURT AT THE MAY HEARING AND THAT THE COURT DENIED ACACIA.

AND THEY'RE BACK HERE TODAY ON AN ORDER TO SHOW CAUSE, WHICH SAYS SOMETHING COMPLETELY DIFFERENT, ASKING FOR PRECISELY THE SAME RELIEF THAT THEY WERE DENIED FIVE, SIX MONTHS AGO AND THERE'S EVEN MORE COMPELLING REASONS NOW NOT TO DO IT THAN THE COURT DECIDED ON IN MAY.

SO -- BUT BEFORE WE GET INTO THOSE REASONS, I THINK IT'S IMPORTANT THAT THE RECORD BE CLEAR, BECAUSE THIS IS REALLY EXTRAORDINARY WHAT THE PLAINTIFF IS DOING HERE.

THEY HAVE MOVED FOR SUMMARY JUDGMENT AGAINST THEMSELVES AND IN FAVOR OF DEFENDANTS DEMANDING THAT JUDGMENT BE ENTERED NOW OVER OUR OBJECTION.

WE DO NOT BELIEVE THAT JUDGMENT SHOULD BE ENTERED NOW. THERE CAN BE NO DISPUTE THAT UNTIL THE COURT ENTERS JUDGMENT, THE COURT HAS JURISDICTION AND THEY HAVE MOVED FOR SUMMARY JUDGMENT AGAIN AND ARE AGAIN DEMANDING THAT JUDGMENT BE ENTERED AGAINST THEMSELVES OVER OUR OPPOSITION.

IT IS OUR POSITION THAT THERE WOULD BE NO RIGHT TO APPEAL THAT. I DO NOT SEE HOW THAT CAN BE DEEMED AN INVOLUNTARY ADVERSE JUDGMENT WHEN THEY ARE DEMANDING IT AND ARE IN HERE ARGUING OVER OUR

OBJECTION THAT THE COURT ENTER JUDGMENT AGAINST THEM.

THE COURT: WELL, I NOTED THAT IN MY ORDER TO SHOW CAUSE BECAUSE IT IS UNPRECEDENTED, ALTHOUGH THE CASE CITED BY COUNSEL MIGHT BE A SIMILAR CIRCUMSTANCE. I HAVEN'T QUITE STUDIED IT WELL ENOUGH. BUT LET'S ASSUME THAT ACACIA IS WILLING TO TAKE ITS CHANCE ON THAT.

MR. BENYACAR: OKAY. WELL, LET ME REVIEW PREVIOUSLY HOW WE GOT HERE TODAY BECAUSE THAT'S PERTINENT TO WHY THE COURT SHOULD NOT DO IT FOR EFFICIENCY REASONS OR OTHER REASONS.

THE COURT HAS GONE REALLY ABOVE AND BEYOND IN TERMS OF GIVING THE PARTIES AN OPPORTUNITY TO BRIEF AND ARGUE THROUGH MULTIPLE MARKMAN HEARINGS THEIR POSITIONS ON CLAIM CONSTRUCTION.

WE FILED MANY BRIEFS. THE COURT HAS GIVEN US ALL OF THE TIME THAT WE HAVE NEEDED TO COME IN AND ARGUE OUR POSITIONS.

AS A RESULT OF WHICH THE COURT HAS ISSUED SIX DETAILED MARKMAN ORDERS.

WHAT ACACIA WOULD HAVE THE COURT DO IS BASICALLY TAKE MOST OF THOSE ORDERS AND MOST OF THAT WORK AND THROW IT AWAY BECAUSE WHAT THEY WANT

TO DO IS SAY WE HAVE IDENTIFIED FOUR TERMS THROUGHOUT ALL OF THE TERMS THAT THE COURT HAS CONSTRUED AND WHAT WE WANT TO DO IS APPEAL ONLY ON THOSE.

SO WE WANT TO FORGET INFRINGEMENT, WHICH THE PLAINTIFFS HAVE PLED NONINFRINGEMENT AND THEY HAVE PLED UNENFORCEABILITY AND THEY HAVE PLEAD SECTION 101, 102, AND 103 AND THEY WANT TO FORGET THAT.

EVEN ON THE GROUNDS OF 112, THEY WANT YOU TO FORGET MOST OF THE RULINGS THAT YOU HAVE MADE AND NOT GIVE THE FEDERAL CIRCUIT THE BENEFIT OF THAT BUT JUST THE FOUR THEY HAND SELECTED THEY WANT YOU TO ENTER FINAL JUDGMENT ONLY ON THOSE FOUR.

IN ADDITION, THE PLAN THAT THE DEFENDANTS WOULD MOVE FOR SUMMARY JUDGMENT UNDER 112 ON ALL OF THE COURT'S ORDERS WAS AN IDEA THAT THE COURT GAVE TO US LAST YEAR AT THE END OF I THINK IT WAS THE LAST MARKMAN HEARING THE COURT HAD.

THE COURT DIRECTED US THAT IT BELIEVED THAT THE PROPER COURSE TO BE FOLLOWED WAS FOR THE PARTIES TO MAKE 112 MOTIONS ON ALL OF THE COURT'S ORDER SO THAT THE COURT COULD SEE WHAT IMPACT ALL OF ITS RULINGS HAD ON THE VALIDITY OF THE PATENTS UNDER SECTION 112.

AND THAT PLAN HAS BEEN IN PLACE FOREVER. AND SINCE THAT TIME, AND FOR A LOT OF THAT TIME, BY AGREEMENT OF THE PARTIES, THE ONLY THING THAT HAS CHANGED HERE IS WHEN WE SHOWED -- WHEN WE TOLD ACACIA WHAT OUR MOTIONS WERE, THEN THEY DECIDED IT WASN'T A GOOD IDEA BECAUSE THEY HAVE NO RESPONSE ON OUR MOTIONS.

AFTER THE COURT GAVE THE DIRECTION TO THE PARTIES, THIS WAS BEFORE THE SIXTH CLAIM CONSTRUCTION ORDER WAS EVEN ISSUED, I RECEIVED AN E-MAIL PROPOSAL FROM MR. DORMAN IN DECEMBER OF LAST YEAR THAT SAID THAT WE BELIEVE THE PROPER COURSE TO BE FOLLOWED HERE, AGAIN PURSUANT TO THE COURT'S INSTRUCTION, IS THAT THE ACACIA WOULD STIPULATE ON THE EXACT SAME TERMS THAT THEY'RE HERE TODAY ASKING FOR FINAL JUDGMENT ON, SEQUENCE ENCODER, IDENTIFICATION ENCODER, TRANSMISSION SYSTEM AND CENTRAL PROCESSING SYSTEM, AND THAT THEY'LL STIPULATE ON THAT AND THAT THE DEFENDANTS SHOULD PROCEED TO MAKE WHATEVER 112 MOTIONS THEY WERE PREPARED TO MAKE BASED ON THE COURT'S ORDER.

THAT WAS AN E-MAIL FROM MR. DORMAN IN DECEMBER OF LAST YEAR.

AFTER THE COURT ISSUED IT'S SIXTH CLAIM CONSTRUCTION ORDER, THE COURT WILL RECALL THAT MOST

OF THE DEFENDANTS OTHER THAN THE SETTLEMENT DEFENDANTS AND ACACIA STIPULATED ON A PROPOSED PLAN.

WE JOINTLY SUBMITTED TO THE COURT THE EXACT PLAN THAT THE COURT HAS BEEN FOLLOWING THAT WE WOULD MAKE ALL OF OUR 112 MOTIONS AND THEN WE WOULD GET TOGETHER AND SEE AFTER THOSE MOTIONS WERE DECIDED HOW WE WOULD PROCEED.

AND THAT'S THE PLAN THAT WE CAME IN WITH AT THE I BELIEVE IT WAS THE MARCH HEARING.

ACACIA ACTUALLY FILED A SECOND SUPPLEMENTAL PAPER BEFORE THAT MARCH HEARING IN WHICH THEY SAID THAT THEIR PLAN AND THE CABLE PLAN, OUR JOINT PLAN WAS CLEARLY A MOST EFFICIENT PLAN FOR PROCEEDING.

AND SO WHAT HAPPENED THEN IS AFTER THAT MARCH HEARING WHEN THE COURT ADOPTED THE CABLE/ACACIA JOINT PLAN IS THAT AS PART OF THAT PLAN, WE WERE REQUIRED TO NOTIFY THEM OF WHAT OUR MOTIONS WERE. AND WE DID THAT ON MARCH 28TH.

ABOUT A WEEK LATER OR TWO WEEKS LATER, WE GOT A LETTER FROM MR. BLOCK THAT SAID FOR THE VERY FIRST TIME ACACIA WILL URGE THE COURT TO NOT CONSIDER ANY OTHER MOTION PROPOSED BY THE DEFENDANTS.

AND THE ONLY THING THAT HAS CHANGED FROM LAST YEAR THROUGH THE COURT'S SIXTH CLAIM CONSTRUCTION HEARING, THROUGH THE MARCH HEARING WHEN ACACIA AND CABLE WERE AGREEING ON HOW TO PROCEED AND WHEN THEY SAW WHAT OUR MOTIONS WERE, AND THEY COULD HAVE RESPONDED BUT THEY DIDN'T RESPOND, AND SO SINCE THAT TIME THEY HAVE BEEN WILLING TO SAY AND DO VIRTUALLY ANYTHING TO PREVENT THIS COURT FROM DECIDING OUR MOTIONS.

SO AFTER MR. BLOCK SENT THAT LETTER, WE DISAGREED BECAUSE WE WANTED TO STICK WITH WHAT WAS THE COURT'S ORIGINAL PLAN TO HEAR ALL OF OUR 112 MOTIONS. AND WE FILED THE JOINT STATEMENT FOR THE MAY CONFERENCE IN WHICH WE DISAGREED AND ACACIA MADE THIS VERY SAME ARGUMENT THAT IT'S MAKING HERE TODAY.

WE DISAGREED AND WE DESCRIBED THE EFFICIENCIES WITH PROCEEDING WITH ALL OF OUR 112 MOTIONS. AND AT THAT MAY CONFERENCE THE COURT RULED IN OUR FAVOR, DIRECTED THE PARTIES TO PROCEED AND FILE A STIPULATION ON WHAT THE BRIEFING DATES WOULD BE ON OUR 112 MOTIONS AND THE COURT AGREED WITH US AND REJECTED THEIR PROPOSAL.

RIGHT AFTER THAT WHAT DID ACACIA DO? IT FILED A SUMMARY JUDGMENT MOTION AGAINST ITSELF. SO

NO SOONER DID IT LOSE ON ITS ORIGINAL PROPOSAL, IT TRIED AGAIN AND IT FILED A SUMMARY JUDGMENT AGAINST ITSELF.

AND IT SET THE MOTION WITH A HEARING DATE OF JULY 7TH BECAUSE I THINK THAT OUR BRIEFS ON OUR MOTIONS WERE DUE JULY 11TH AND THEY WANTED TO TRY AND GET IN HERE BECAUSE FROM AN EFFICIENCY POINT OF VIEW IT WOULD MAKE REALLY NO SENSE TO NOT PROCEED WITH OUR MOTIONS AFTER THEY HAD BEEN BRIEFED.

SO THEY TRIED TO DO THAT. BUT THE COURT UNILATERALLY MOVED THE HEARING DATE ON ACACIA'S MOTION TO OCTOBER 20TH.

SO SINCE THAT TIME ALL OF THE DEFENDANTS' PAPERS ON THEIR SUMMARY JUDGMENT MOTIONS HAVE BEEN FILED.

AND I CAN REPRESENT TO THE COURT THAT AS SOMEBODY WHO WROTE A GOOD DEAL OF THOSE PAPERS, THAT WAS A LOT OF WORK BECAUSE THERE'S A LOT WRONG WITH THOSE PATENTS.

IN ADDITION, IN THAT TIME WE KNOW BECAUSE MR. BLOCK HAS FILED A DECLARATION TO THIS EFFECT, AS WE STAND HERE TODAY, THEY HAVE 140 PAGE DRAFT RESPONSE AND THEY HAVE WORKED WITH AN EXPERT FOR TWO WEEKS. BUT WHAT DID THEY DO?

SO OUR PAPERS ARE DONE. ACACIA'S PAPERS

ARE ALMOST DONE BECAUSE THEY HAD THREE AND A HALF MONTHS TO PREPARE THEM AND THE COURT'S ORDER TO SHOW CAUSE CAME OUT ABOUT TWO WEEKS AFTER THEIR PAPERS WERE DUE. AS SOON AS THE ORDER CAME OUT, THEY FILED A MOTION TO VACATE THE SCHEDULE.

WHY DID THEY DO THAT? THEY DIDN'T ASK FOR AN EXTENSION JUST TO SEE WHAT WOULD HAPPEN TODAY. THEY WERE DESPERATE TO VACATE THE SCHEDULE BECAUSE THEY DON'T WANT THIS COURT DECIDING OUR MOTIONS.

AND WHAT DID THEY SAY IN THAT? WHAT DID THEY SAY IN THAT MOTION TO VACATE? THEY SAY "IN VIEW OF THIS COURT'S ORDER TO SHOW CAUSE THERE'S NO GOOD REASON WHY ACACIA SHOULD BE REQUIRED TO CONTINUE TO PREPARE AND FILE AN OPPOSITION TO DEFEND ITS MOTIONS ON OCTOBER 24TH. IF THE COURT GRANTS SUMMARY JUDGMENT AS DESCRIBED IN THE ORDER TO SHOW CAUSE, THE MOTIONS WILL NEVER BE HEARD AND WILL BE MOOT. ON THE OTHER HAND, GRANTING THIS MOTION WILL NOT PREJUDICE THE DEFENDANTS IN THE UNLIKELY EVENT SUMMARY JUDGMENT DOES NOT ENTER ON OCTOBER 29TH."

SO THE COURT ENTERED AN ORDER TO SHOW CAUSE SAYING THAT THE PARTIES SHOULD APPEAR AND SHOW CAUSE WHY JUDGMENT SHOULD NOT BE ENTERED ON

INFRINGEMENT, ON NONINFRINGEMENT, ON INVALIDITY, AND ON UNENFORCEABILITY. AND THEY FILED AN EMERGENCY MOTION TO VACATE THE SCHEDULE BASED ON THE FACT THAT IT WAS VERY LIKELY THAT YOU WERE GOING TO GRANT SUMMARY JUDGMENT ON THE ORDER TO SHOW CAUSE.

AND BASED ON THAT, THE COURT DID VACATE THE SCHEDULE ON OUR SUMMARY JUDGMENT MOTIONS.

AND NOW ACACIA HAS COME IN HERE TODAY AND THEY'RE TELLING YOU YET AGAIN, WELL, FIRST THEY'RE TELLING YOU, OH, NO, THANKS FOR VACATING OUR -- THE SCHEDULE, BUT, IN FACT, WE DON'T WANT YOU TO ENTER JUDGMENT ON THE ORDER TO SHOW CAUSE.

OUR BRIEFS ARE COMPLETE. THEIR BRIEFS ARE ALMOST COMPLETE. THEY HAVE HAD THREE AND A HALF MONTHS TO PREPARE THEM. THEIR MOTION TO VACATE CAME LESS THAN TWO WEEKS BEFORE THEY WERE DUE.

ALL THAT WOULD BE LEFT THEN WOULD BE FOR US TO FILE OUR REPLY PAPERS, AND WE WANT TO DO THAT BECAUSE WE KNOW WHAT THEY KNOW WHICH IS IF THE COURT RULES ON OUR SUMMARY JUDGMENT MOTIONS, THE CASE WILL GO UP AT SOME POINT AND IT'S NOT GOING TO COME BACK DOWN AGAIN.

THAT'S WHY THEY DON'T WANT THE COURT TO

RULE ON THOSE MOTIONS AND THAT'S WHY THEY'RE SO DESPERATE EVEN WITH THEIR BRIEFS VIRTUALLY COMPLETE AND OUR BRIEFS COMPLETE NOT TO HAVE THE COURT RULE ON OUR MOTIONS.

SO WE WOULD RESPECTFULLY SUGGEST THAT TO ADOPT ACACIA'S PLAN NOW WHEN OUR BRIEFS ARE DONE AND THEIR BRIEFS ARE ALMOST DONE AND TO GO UP TO THE FEDERAL CIRCUIT ON JUST THE FOUR TERMS THAT THEY SELECTED AND TO IGNORE ALL OF THE WORK THAT THE PARTIES AND THE COURT HAVE DONE IN THIS CASE WOULD BE MONUMENTALLY INEFFICIENT.

THE COURT: I WANT TO ASK SOME QUESTIONS OF YOU ABOUT YOUR POSITION, BUT I RECEIVED A NOTE THAT THE JURY I HAVE HAS REACHED A VERDICT.

SO I'M GOING TO TAKE THAT VERDICT AND THEN COME BACK TO THIS MATTER IF YOU DON'T MIND AND SO THE PARTIES TO THE CRIMINAL CASE CAN HAVE A FAVORED POSITION. YOU CAN LEAVE YOUR MATERIALS. IT'S JUST KIND OF STEP BACK INTO THE AUDIENCE AND HAVE A SEAT, AND WE'LL CALL THE OTHER CASE.

(WHEREUPON, A RECESS WAS TAKEN.)

THE COURT: VERY WELL. CAN WE RETURN TO OUR CIVIL MATTER.

VERY WELL. WE'RE BACK ON THE RECORD IN THE ACACIA MATTER.

COUNSEL, I -- THE ONLY QUESTION I WANTED TO CLARIFY IS THAT YOU MAKE QUITE A POINT OF THIS IS AN APPEAL ONLY ON FOUR TERMS, BUT AS I UNDERSTAND THE EFFECT OF THE ORDER, ALTHOUGH IT WOULDN'T PICK UP ALL OF THE MOTIONS, AND I, QUITE FRANKLY, HAVEN'T SEEN THEM ALL MYSELF, OR ANY OF THEM ACTUALLY, THIS WOULD BE AN APPEAL IF I GRANT THIS ON ALL OF THE CLAIM CONSTRUCTION ORDERS THAT ARE MADE BY THE COURT INSOFAR AS WHAT I UNDERSTAND THE PLAINTIFFS' MOTION WOULD BE IS THAT IN VIEW OF THE COURT'S CLAIM CONSTRUCTION, WHATEVER THAT WOULD BE, ALL OF THE CLAIMS THAT ARE REMAINING IN DISPUTE IN THE CASE ARE INVALID, AND, THEREFORE, JUDGMENT WOULD BE ENTERED IN FAVOR OF THE DEFENDANTS WITH RESPECT TO ALL CLAIMS BOTH FROM THE PLAINTIFFS' SIDE AND THE DEFENSE SIDE WITH RESPECT TO THOSE WITH DISMISSALS WITHOUT PREJUDICE OF THOSE THAT ARE NOT BEING DIRECTLY ADJUDICATED.

THE POINT IS THAT ALTHOUGH UPON APPEAL THERE MAY BE FOCUS ON FOUR TERMS, IT WOULDN'T BE LIMITED TO THE FOUR TERMS; IS THAT YOUR UNDERSTANDING AS WELL?

MR. BENYACAR: NO, YOUR HONOR. MY UNDERSTANDING OF THE PLAINTIFFS' POSITION IS THE COURT HAS ISSUED MANY CLAIM CONSTRUCTION ORDERS

WITH MANY RULINGS ON DIFFERENT CLAIM TERMS.

THEY DISPUTE THE COURT'S CONSTRUCTION OF MANY OF THOSE TERMS BUT THEY DON'T -- DO NOT WANT THEM APPEALED AT THIS TIME, NOR DO THEY WANT BEFORE THE FEDERAL CIRCUIT THE EFFECT OF THE COURT'S CLAIM CONSTRUCTIONS ON ANY OF THE OTHER TERMS THAT THE COURT HAS CONSTRUED.

WHAT THEY HAVE TRIED TO DO IS OF ALL OF THE TERMS THAT THE COURT HAS CONSTRUED AND ALL OF THE DIFFERENT GROUNDS OF INVALIDITY WHICH RESULT FROM THOSE CONSTRUCTIONS, WHICH ARE WHAT WE BRIEFED IN OUR MOTIONS, THEY HAVE ASKED THE COURT TO PUT THAT ASIDE AND TO ESSENTIALLY THROW IT AWAY. DON'T LET THE FEDERAL CIRCUIT SEE IT.

WE ONLY ARE SELECTING, ACACIA SAYS, FOUR TERMS AND ON THOSE FOUR TERMS WE'RE IDENTIFYING ONLY ONE GROUND WHICH MAKES THE CLAIMS INVALID BASED ON THOSE CONSTRUCTIONS. AND WE ONLY WANT THE FEDERAL CIRCUIT TO REVIEW THE CONSTRUCTION OF THOSE FOUR TERMS AND NOT ANY OTHERS AND ONLY THE IMPACT THAT THOSE CONSTRUCTIONS HAD THAT WE, ACACIA, HAVE SELECTED.

SO WE HAVE SELECTED FOUR OF THE TERMS THAT THE COURT HAS CONSTRUED AND BASED ON THOSE CONSTRUCTIONS WE HAVE DETERMINED THAT BASED ON

INDEFINITENESS, NOT ON WRITTEN DESCRIPTION OR ENABLEMENT. THE FEDERAL CIRCUIT SHOULDN'T EVEN SEE THAT, ACACIA SAYS, ONLY INDEFINITENESS ON ONLY THOSE FOUR TERMS AND THE FEDERAL CIRCUIT'S REVIEW SHOULD BE LIMITED TO THAT.

THEY WOULD NOT HAVE BEFORE THE FEDERAL CIRCUIT ANY OF THE OTHER TERMS THAT THE COURT HAS CONSTRUED OR THE IMPACT OF THOSE.

THE COURT: I UNDERSTAND YOUR ARGUMENT WITH RESPECT TO OTHER GROUNDS SUCH AS ENABLEMENT OR OTHER DEFENSES, BUT I DON'T UNDERSTAND THE FIRST GROUND THAT IT WOULD ONLY BE FOUR TERMS BECAUSE I DIDN'T GET THAT FROM ACACIA'S ARGUMENT.

AND PLAINTIFFS' COUNSEL IS STANDING INDICATING THAT HE AGREES WITH THE COURT ON THAT. BUT I TAKE YOUR POINT.

SO LET ME SEE IF THERE IS ANYONE ELSE WHO WOULD WISH TO ADDRESS ME.

MR. BENYACAR: WELL, WHEN THE COURT SAID THAT ACACIA'S COUNSEL AGREED WITH THE COURT.

MR. DORMAN: MAY I MAKE CLEAR WHAT WE'RE -- HIS CHARACTERIZATION OF MY POSITION IS ABSOLUTELY WRONG. IT'S PREPOSTEROUS.

I MEAN, THE REALITY IS THAT WHAT GOES UP ON APPEAL IS ALL OF YOUR CLAIM CONSTRUCTION ORDERS

AND THE EFFECT OF YOUR CLAIM CONSTRUCTION ORDERS CAUSED THESE TERMS TO BE DETERMINED TO BE INVALID BUT ANY ISSUE ON ANY CLAIM CONSTRUCTION TERM THAT THIS COURT HAS ADDRESSED IS FAIR GAME FOR THAT APPEAL.

NOW, YOU'RE ABSOLUTELY RIGHT, YOUR HONOR, THE ISSUE OF WRITTEN DESCRIPTION ENABLEMENT, IT WOULD NOT BE BEFORE THEM AT THAT POINT IN TIME, BUT WHAT WE WOULD GET BACK, IF THE COURT DID NOT AGREE WITH YOU, WOULD BE A FULL AND WHOLESOME EXPLANATION OF THE FEDERAL CIRCUIT'S VIEW OF WHAT THE CLAIM TERM MEANS THAT WERE THE SUBJECT OF YOUR ORDERS THAT WE COULD GO FORWARD FROM THERE.

THE COURT: AND I UNDERSTAND THAT.

PART OF MY RELUCTANCE IS FUELED BY DEFENSE COUNSEL'S COMMENT THAT THERE ARE MULTIPLE GROUNDS FOR INVALIDITY URGED BY THE DEFENDANTS, AND THIS ORDER WOULD LIMIT ITSELF TO THE GROUND OF INDEFINITENESS, IT'S INVALID FOR INDEFINITENESS AS OPPOSED TO ANY OTHER GROUNDS. AND YOU HADN'T ARTICULATED THAT PREVIOUSLY AS WELL AS YOUR ARGUMENT HELPED TO BRING TO THE FLOOR.

IT'S NOT THAT I WOULDN'T TAKE THAT OPPORTUNITY, BUT THANK YOU FOR HIGHLIGHTING THAT IT WOULD DEPRIVE ME OF THAT AND THOSE OTHER GROUNDS

WOULD BE BEFORE ME IN THESE SCHEDULED MOTIONS FOR SUMMARY JUDGMENT.

MR. BENYACAR: THAT'S CORRECT, YOUR HONOR. AND JUST FOR THE RECORD, IT STRIKES ME AS A CLASSIC INTERLOCUTORY APPEAL TO APPEAL CLAIM CONSTRUCTIONS WITHOUT ANY ADMISSION OR RULING THAT THOSE CLAIM CONSTRUCTIONS HAVE NEVER ANY NEGATIVE IMPACT ON THE CASE.

SO WHILE MR. DORMAN SAYS, WELL, ALL OF THE CLAIM CONSTRUCTIONS WOULD BE BEFORE THE FEDERAL CIRCUIT, WELL, WHAT WOULD NOT BE BEFORE THE FEDERAL CIRCUIT IS ANY POSITION OF ANY PARTY THAT THOSE CLAIM CONSTRUCTIONS HAVE ANY DISPOSITIVE EFFECT.

SO IT STRIKES ME AS THAT WOULD BE ASKING THE FEDERAL CIRCUIT TO DO AN INTERLOCUTORY CLAIM CONSTRUCTION REVIEW AND THAT THAT IS NOT APPROPRIATE.

IF THEY ACTUALLY WANT TO GO UP AND HAVE THE FEDERAL CIRCUIT REVIEW ALL OF THE COURT'S CLAIM CONSTRUCTIONS, OUR BRIEFS ADDRESS MANY OF THEM.

IF THE COURT WERE TO RULE IN OUR FAVOR, THEN WERE THE COURT INCLINED TO GRANT OUR SUMMARY JUDGMENT MOTIONS, THEN IT MIGHT BE APPROPRIATE FOR THE FEDERAL CIRCUIT TO REVIEW THAT CONSTRUCTION BECAUSE THERE'S A POSITIVE RULING BASED ON THOSE

CONSTRUCTIONS, OTHERWISE IT SEEMS TO ME TO BE A PURELY INTERLOCUTORY REVIEW.

THE COURT: VERY WELL. ANYONE ELSE WANT TO ADDRESS THIS ON THE DEFENSE SIDE?

MR. HERSHKOWITZ: THANK YOU, YOUR HONOR. YOUR HONOR, BENJAMIN HERSHKOWITZ. I JUST WANT TO ADDRESS A COUPLE OF THINGS MR. DORMAN INDICATED.

IN PARTICULAR MR. DORMAN PLACED A LOT OF WEIGHT ON A NUMBER OF CASES WHICH HE THROWS OUT AND I WOULD URGE YOU TO LOOK AT THE CONTEXT OF THOSE CASES BEFORE GIVING ANY CREDIT TO WHAT MR. DORMAN SAYS ABOUT IT.

FOR EXAMPLE, THE YORK PRODUCTS CASE WHICH MR. DORMAN SAT UP AND TALKED ABOUT. WHAT IS INTERESTING IS THAT IN THAT CASE THE JURY -- IT WAS AT TRIAL AND THE PLAINTIFF TURNED AROUND AFTER THE DEFENSE RESTED ITS CASE AND BASICALLY SAID I THINK YOU SHOULD GRANT DEFENDANTS' JUDGMENT AS A MATTER OF LAW ON THE CASE.

SO THE COURT ALREADY HAD BEFORE IT THE FULL CONTEXT OF WHAT WAS GOING ON.

WHAT ACACIA SEEMS TO BE DOING HERE IS TO DEPRIVE DEFENDANTS OF THE OPPORTUNITY TO BE HEARD.

IF YOU LOOK AT THE CASES THAT HE POINTS TO, IN EACH OF THEM YOU HAVE A SIMILAR TYPE

SCENARIO. AND ANOTHER CASE, AND I DON'T REMEMBER THE CITE, AND THE COURT HAD A NUMBER OF DIFFERENT MATTERS, NONINFRINGEMENT AND OTHERS, AND IT GRANTED ON ONE AND IT SAID I FOUND ISSUES OF FACT WITH RESPECT TO THE OTHERS AND SO MY ALTERNATIVES ARE TO PROCEED TO TRIAL OR TO CERTIFY IT AND GET IT UP ON APPEAL THROUGH ONE OF THE WAYS ARTICULATED IN EITHER 54(B) OR BY DISMISSING WITHOUT PREJUDICE THE PENDING COUNTERCLAIMS.

IT'S -- THOSE ARE MY TWO OPTIONS. THE CONSERVATION OF JUDICIAL RESOURCES, I BELIEVE, IS APPROPRIATE TO NOW SEND IT UP ON APPEAL.

THE QUESTION THEN BECOMES, IN THE CONTEXT OF A PENDING REQUEST OR A COUNTERCLAIM FOR ATTORNEY'S FEES THAT EXISTS WITH ALL OF THE DEFENDANTS, WOULD IT BE PROPER IN A CASE LIKE THIS TO DISMISS THAT TYPE OF COUNTERCLAIM WITHOUT PREJUDICE?

AND THE SHORT ANSWER TO THAT QUESTION IS NO.

IT'S CERTAINLY WITHIN THE COURT'S DISCRETION, BASED ON THE TOTALITY OF THE CIRCUMSTANCES TO TAKE A REVIEW OF THAT AND MAKE AN INFORMED DECISION AS TO WHETHER IT THINKS THAT'S AN APPROPRIATE MECHANISM, SUBJECT TO AN ABUSE OF

DISCRETION.

IF YOU TAKE A LOOK, HOWEVER, AT RECENT FEDERAL CIRCUIT CASES THAT HAVE OCCURRED AFTER NYSTROM AND IN PARTICULAR TAKE A LOOK AT THE ZENITH CASE. THE ZENITH CASE WAS JUST ISSUED BY THE FEDERAL CIRCUIT AND THE CITE ON IT IS 522 F.3D 1348.

THE DISTRICT COURT FOUND THE ASSERTED CLAIMS INVALID AND/OR NOT INFRINGED. SO IT HAD BEFORE IT BOTH VALIDITY AND NONINFRINGEMENT.

AND SO WHAT IT DID WAS THAT IT ACTUALLY, IT ACTUALLY DISMISSED WITHOUT PREJUDICE THE INEQUITABLE CONDUCT COUNTERCLAIM.

THE DEFENDANT -- IT WAS DONE OVER DEFENDANTS' OBJECTIONS AND DEFENDANTS MUCH LIKE HERE SAID THAT THEY DIDN'T BELIEVE THAT THAT WAS PROPER.

AND THE FEDERAL CIRCUIT AGREED WITH THE DEFENDANTS AND BASICALLY SAID THAT SINCE DEFENDANTS -- THE INEQUITABLE CONDUCT CLAIMS, IT IS SEEKING THE FINDING THAT THE CASE IS EXCEPTIONAL AND AWARD OF FEES UNDER 352 IS WARRANTED.

IT SAID IT WAS NOT MOOT. AND THE FEDERAL CIRCUIT AGREED AND THEN DIRECTED THE DISTRICT COURT THAT IT WAS IMPROPER FOR THE DISTRICT COURT TO HAVE

DISMISSED THAT COUNTERCLAIM.

ALSO TO THE EXTENT THAT THE COURT IS CONSIDERING DISMISSAL OF ANY OF THE DEFENDANTS' COUNTERCLAIMS OVER THEIR OBJECTIONS WE WOULD NEED A TOLLING ARRANGEMENT PUT IN PLACE SO THAT WE'RE NOT PREJUDICED BY WHATEVER MAY COME IN WHATEVER TIME IT WOULD TAKE FOR THAT TO COME BACK DOWN.

I WOULD ALSO -- JUST ONE LAST POINT -- SAY TO THE COURT, THERE IS CERTAINLY NOTHING THAT PROHIBITS THE COURT FROM CONSIDERING THE ADDITIONAL SUMMARY JUDGMENT MOTIONS THAT ARE PENDING OR EVEN CONTINUING ON WITH THE CASE AFTER THAT.

THERE'S ABSOLUTELY NOTHING THAT PROHIBITS THE COURT FROM DOING THAT. AND AS A MATTER OF FACT, IN THIS CASE IS THE BETTER COURSE OF ACTION BASED ON THE CIRCUMSTANCES HAVE BEEN IN THE VARIOUS BRIEFINGS AND EVERYTHING ELSE.

IF THE COURT DOESN'T HAVE ANY QUESTIONS, I WILL SIT DOWN.

THE COURT: THANK YOU. NO, I DON'T HAVE ANY QUESTIONS.

MR. DORMAN: YOUR HONOR, THE REFERENCES TO THE YORK PRODUCTS AND THE CARDIAC PACEMAKERS CASE AND ALSO THE INPROBE CASE RELATE TO CIRCUMSTANCES WHERE A PARTY REQUESTED RELIEF

AGAINST ITSELF, THE COURT HAD INDICATED. AND THAT WAS MY INTENTION IN CITING THOSE.

THE -- JUST VERY BRIEFLY IN RESPONSE TO MR. BENYACAR'S COMMENTS, YOU KNOW, WE DON'T FEAR THE OUTCOME OF THESE ADDITIONAL AND UNNECESSARY MOTIONS.

WE BEMOAN THE WASTE OF TIME AND MONEY AND JUDICIAL RESOURCES THAT THEY'LL TAKE. WE DIDN'T CHOOSE THOSE ISSUES.

WHAT WE'RE PROPOSING TO GO UP ON APPEAL IS THE ISSUE OF INDEFINITENESS. THOSE WERE THE ISSUES THAT WERE PRESENTED THAT CAME OUT OF THE BRIEFING. WE ALL BRIEFED CLAIM CONSTRUCTION. THE COURT EXPRESSED ISSUES ABOUT INDEFINITENESS AND ITS CONCERNS.

WE THEN HAD FURTHER ARGUMENT AND WE HAD HEARINGS AND EVIDENTIARY HEARINGS ON THESE ISSUES AND SO WE WERE SIMPLY FOLLOWING, IF YOU WILL, THE FLOW OF WHERE THIS CASE HAS TAKEN US THROUGH THE COURT'S RULINGS.

AND IT BECAME CLEAR THAT WITH THOSE TWO INDEFINITENESS RULINGS, WITH THE COURT'S REVISED CLAIM CONSTRUCTION OF TRANSMISSION SYSTEM, THAT WENT FROM THE FIRST WHAT WE BELIEVE TO BE THE LEGALLY CORRECT CONSTRUCTION, WHICH THE DEFENDANTS, MANY THE DEFENDANTS THEN FIRST AGREED WITH WHICH WAS JUST A SYSTEM FOR TRANSMITTING TO THE NOW CURRENT CONSTRUCTION WHICH IS IT HAS TO HAVE ALL OF THESE ELEMENTS THAT ARE DISCLOSED IN THAT DIAGRAM THAT BECAUSE THE COURT MADE THAT CONSTRUCTION OF TRANSMISSION SYSTEM, THAT IF YOU WILL, IMPORTED THE INDEFINITENESS PROBLEM OF IDENTIFICATION ENCODER INTO EVERY ONE OF THE CLAIMS AND BECAUSE CENTRAL PROCESSING LOCATION CONTAINED A TRANSMISSION SYSTEM WHERE THAT CLAIM DID NOT ITSELF SAY TRANSMISSION SYSTEM, THAT CLAIM ALSO WAS INVALID.

SO THIS ISN'T A MATTER OF US STRATEGICALLY SELECTING ANYTHING. THIS IS A MATTER OF US UNDERSTANDING THE LEGAL IMPLICATIONS OF WHERE THIS CASE HAS TAKEN ALL OF US THROUGH YOUR RULINGS AND AT THAT -- BASED UPON ALL OF THAT, ALL OF THE CLAIMS ARE INVALID.

NOW, AS FAR FROM HAVING NO RESPONSE TO THESE MOTIONS, AS WE INDICATED, WE HAVE SPENT A LOT OF TIME ON THESE MOTIONS AND THE REASON WE HAVE SPENT A LOT OF TIME ON THESE OPPOSITIONS TO MOTIONS IS BECAUSE THEY DIDN'T DO WHAT THEY WERE REQUIRED TO DO.

WHEN YOU DO READ THESE 80 SOME PAGES THAT THEY FILE AND THEY TALK ABOUT WRITTEN DESCRIPTION

AND ENABLEMENT, YOU ARE GOING TO SEE THAT THEY CONFLATE THE ISSUES.

AND WHEN WE TALK ABOUT ENABLEMENT, WE ALL KNOW THAT THE INQUIRY IS UNDUE EXPERIMENTATION WITH ONE OF ORDINARY SKILL IN THE ART READING THIS AND THEN HAVE TO ENGAGE IN UNDUE EXPERIMENTATIONS.

THEY DON'T PROVIDE ANY EVIDENCE, NO EXPERT WITNESS DISCUSSION OF THIS. THEY DON'T EVEN SEPARATE -- SOME OF THE DEFENDANTS DON'T EVEN SEPARATE THE TWO ISSUES TO DISCUSS, OKAY.

WHAT WE HAVE DONE AND WHAT IS TAKING ALL OF THE TIME TO DO WITH AN EXPERT IS TO SHOW WHAT ONE OF ORDINARY SKILL IN THE ART WOULD KNOW, TO TAKE EVERY SINGLE ONE OF THE ELEMENTS IN THESE PATENTS AND SHOW WHERE IS THE INPUT? WHERE IS THE OUTPUT? WHAT IS THE FUNCTION? AND TO ONE OF SKILL IN THE ART SO THAT THEY COULD KNOW HOW TO BUILD IT AND IMPLEMENT AS A MATTER OF IMPLEMENTATION CHOICE.

WE'RE GOING TO DO ALL OF THAT. HERE'S MY PREDICTION, YOU'RE GOING TO GET ALL OF THIS. YOUR OFFICE IS GOING TO BE OVERWHELMED AND THE REALITY IS THAT YOU'RE GOING TO SET THREE OR FOUR, YOU KNOW, TWO OR THREE BECAUSE YOU'RE GOING TO THINK THAT THERE IS TOO MUCH FOR ONE HEARING TO DO THIS, AND YOU IN THE END ARE GOING TO SAY THERE'S A FACT

DISPUTE ABOUT THIS SUMMARY JUDGMENT ISN'T APPROPRIATE AND THEY WILL HAVE SUCCEEDED.

AND I WILL DO EXACTLY WHAT THEY'RE DOING, IS THAT IF THEY CAN KEEP US HERE IN MOTION PRACTICE TIED UP UNTIL 2011 WHEN THESE PATENTS EXPIRE, THEY WILL HAVE SUCCEEDED. AND IT HAS NOTHING TO DO WITH GETTING THE RIGHT OUTCOME. IT HAS TO DO WITH PROTRACTING THAT PROCESS.

AND THIS IS A MATTER OF DISCRETION FOR YOU. WE NO LONGER HAVE MR. SCHULZ. YOU'RE GOING TO GET ALL OF YOUR STUFF AND IF YOU DON'T CHOOSE TO EXERCISE YOUR DISCRETION. I DON'T KNOW IF YOU HAVE NEW CLERKS THAT HAVE TO ADDRESS ALL OF THIS STUFF.

AS MY FILINGS WITH YOU INDICATED, WE'RE PREPARED AND WILL BE AND IF THE COURT DECIDES THAT IT SHOULD NOT EXERCISE ITS DISCRETION AND DO WHAT THE FEDERAL CIRCUIT AUTHORIZES. AND NYSTROM IS THE TOUCHSTONE.

NYSTROM AUTHORIZES YOU TO DO THIS. AND HERE'S THE CONCERN THAT I HAVE ABOUT THIS, YOU KNOW, I KNOW HOW BUSY COURTS ARE. I KNOW HOW DIFFICULT IT IS TO, YOU KNOW, GET ACCESS TO JUDICIAL RESOURCES.

AND THAT THIS COURTROOM AND THIS STAFF SHOULD BE INUNDATED AND KEEP WORKING ON ISSUES, ALTERNATIVE POTENTIAL ISSUES WHEN THIS PATENT ALL OF THE CLAIMS ASSERTED ARE ALREADY INVALID FOR THE WORK THAT YOU HAVE ALREADY DONE, IT JUST, YOU KNOW -- BUT THIS IS YOUR DECISION. THIS IS REALLY A DISCRETION ISSUE WITH YOU AND HOW THIS COURT, YOU KNOW, CAN BEST SERVE THOSE BEFORE IT BUT MY JUDGMENT ABOUT THIS IN TERMS OF MY DEALING WITH COURTS AND WHAT IS GOING ON IS THAT THIS IS THE BEST WAY TO DO IT.

IF THE WORK THAT YOU HAVE DONE AND YOU'VE DONE IS RIGHT AND THESE ARE INDEFINITE, WE'RE DONE.

IF IT'S NOT, WE ARE GOING TO GET FROM THE FEDERAL CIRCUIT BACK A STATEMENT, A DESCRIPTION THAT IS GOING TO HELP US A LOT IN TERMS OF MUCH MORE AND MUCH MORE COST EFFECTIVELY ADDRESSING THE ISSUES WHICH THEY WOULD LIKE YOU TO ADDRESS SERIATIM.

AND I'M GOING TO TELL YOU SOMETHING, HERE'S THE PREDICTION, IF WE GO DOWN THIS ROAD THAT THEY WANT TO GO ON AND WE DO THESE MOTIONS, ET CETERA, WHEN THESE MOTIONS ARE FINALLY DONE, HOWEVER LONG THAT TAKES, THE NEXT THING THEY'RE GOING TO SAY IS THAT, OKAY, WE NEED TO HAVE AN INEQUITABLE CONDUCT TRIAL.

AND THEN WHAT WILL HAPPEN IS THAT SINCE

WE'RE THE PREVAILING PARTY WE WANT TO FILE UNDER 285 AN ATTORNEY'S FEE PROVISION AND YOU'RE GOING TO SAY, FINE, I'M GOING TO SAY FINE AND YOU GET 14 DAYS TO DO THAT.

BUT WE NEED DISCOVERY UNDER INEQUITABLE CONDUCT AND IT'S NEVER GOING TO END.

SO I JUST WANT TO TELL THE COURT THAT THAT'S WHAT WE HAVE IN STORE FOR US IF WE DON'T JUDICIALLY MANAGE THIS PROCESS IN A WAY THAT I THINK THE COURT, THE FEDERAL CIRCUIT IN NYSTROM HAS, IN FACT, AUTHORIZED US TO.

THE COURT: WELL, I APPRECIATE THE ARGUMENT FROM BOTH SIDES ON THIS. AS I SAID, HAD IT NOT BEEN FOR THE STATEMENT IN THE MOTION THAT ACACIA MOVES FOR SUMMARY JUDGMENT ON ITS CLAIM FOR INFRINGEMENT AS WELL AS THE DEFENSES OF INVALIDITY, AND I PRESUME THAT TO INCLUDE UNENFORCEABILITY, I MIGHT NOT HAVE BOTHERED YOU FURTHER WITH THIS ORDER BECAUSE THIS DOES SOUND TO ME VERY REMINISCENT OF THE MOTION THAT YOU MADE EARLIER WHICH I DENIED AND THERE'S AN EFFECT OF RECONSIDERATION OF THAT.

IT'S NOT THAT I MIND RECONSIDERING THESE MATTERS. AND, IN FACT, I DO IT ALL OF THE TIME.

IT'S THAT I'M NOT PERSUADED THAT I SHOULD CHANGE WHAT I HAVE IN PLACE IF THIS MOTION IS NOT

ONE THAT IS DIRECTED TO INFRINGEMENT.

AND I UNDERSTAND NOW BETTER WHY YOU WOULD NOT AND DO NOT INCLUDE THAT IN YOUR MOTION.

HAVING YOUR CLIENTS HERE GIVES ME THE OPPORTUNITY AS A COURT TO COMMENT ON HOW SENSITIVE THE COURT IS TO YOUR REFERENCE TO THE EXPENSE OF THIS ENTIRE PROCESS.

RULE 1 OF THE FEDERAL RULES OF CIVIL PROCEDURE PROVIDES THAT THE RULES SHOULD BE CONSTRUED, AND I TAKE IT THAT CASES SHOULD BE MANAGED SO AS TO LEAD TO THE JUST, SPEEDY, AND INEXPENSIVE RESOLUTION OF DISPUTES.

THIS HAS NOT BEEN A SPEEDY OR INEXPENSIVE DISPUTE.

BUT THAT'S NOT BECAUSE THE COURT HASN'T BEEN INTERESTED IN TRYING TO MOVE IT ALONG. IT TOOK ON QUITE A HISTORY.

THE PLAINTIFFS CHOSE TO FILE A VERY COMPLEX SET OF CLAIMS AGAINST VERY FORMIDABLE DEFENDANTS. AND SO PART OF WHAT IS BEING BORNE OUT IN THE LITIGATION IS THE FACT THAT IT IS BEING HIGHLY CONTESTED AND THAT CAN BECOME EXPENSIVE IN MODERN LITIGATION.

I HAVE DONE MY BEST TO SET UP A PROCESS AND A PROCEDURE TO TRY TO CLARIFY ISSUES, GET THEM

DONE, AND MOVE ON. THAT HASN'T WORKED OUT QUITE TO MY LIKING, BUT IT DOES SEEM TO ME THAT THE BETTER COURSE OF ACTION AT THIS POINT WOULD BE TO UNDUE THE STAY THAT I HAVE PUT IN PLACE WITH RESPECT TO YOUR BRIEFING SCHEDULE. I'M SURE YOU'LL NEED TO RECAST THOSE. GET ALL OF THESE MOTIONS BEFORE ME.

AND IT COULD BE AT THE END OF THE DAY YOUR PREDICTION IS CORRECT, BUT I NEVER LIKE CHEATING THE FUTURE.

SO IT COULD BE THAT YOUR PREDICTION IS INCORRECT, AND I COME TO A DIFFERENT RULING. I NEVER MAKE A RULING UNTIL I MAKE A RULING.

AND SO IT SEEMS TO ME THAT I WANT TO GET THERE THROUGH A PROCESS WHICH ALLOWS ME TO CONSIDER THE DEFENSE MOTIONS.

AND IN MY VIEW, QUITE FRANKLY, I WOULD BE INTRODUCING YET ANOTHER PROBLEM IN THIS CASE AND THAT IS ACACIA'S HAVING MOVED FOR JUDGMENT AGAINST ITSELF AND SEEKING TO APPEAL.

IT MAY BE THAT I'M DOING YOU A FAVOR BY DENYING THIS MOTION. IF COULD BE THAT YOU WOULD PRESERVE YOUR RIGHT TO APPEAL, BUT I HAVE A GREAT DEAL OF RESPECT FOR YOU AS COUNSEL AND IN SEEKING TO DO THE BEST FOR YOUR CLIENT, YOU AND YOUR COLLEAGUES, QUITE FRANKLY.

AND I'M NOT SURE THAT THERE IS A WELL-WORN PATH TO APPEAL WHERE THE MOTION IS MADE BY A PARTY TO HAVE JUDGMENT ENTERED AGAINST ITSELF. IT'S JUST NOT USUAL THAT THAT'S THE CASE.

THAT'S NOT WHY I'M DOING WHAT I'M DOING BECAUSE IF YOU WANT TO HAVE A JUDGMENT ENTERED AGAINST YOURSELF, THAT'S YOUR PLEASURE.

THE REASON I'M DOING THIS IS THAT I RESPECT GREATLY THE ROLE OF TRIAL COURTS AND THE APPELLATE PROCESS. AND I WOULD ONLY SEND A CASE UP ON APPEAL WHEN I BELIEVE I HAVE REACHED AND EXHAUSTED EVERYTHING I NEED TO DO.

AND I'M IN THE UNUSUAL POSITION OF HAVING SOME OF THE CASES ASSIGNED TO ME AS THE TRIAL JUDGE SO WHEN I FINISH MY MDL TASK, I WILL BE SENDING THE CASES BACK TO MYSELF WITH A DIFFERENT HAT.

BUT SOME OF THE CASES ARE HERE ONLY FOR MDL MANAGEMENT, AND I HAVE TO RESPECT THAT WITH RESPECT TO HOW I TREAT THOSE CASES WHICH ARE NOT ASSIGNED TO ME FOR FINAL ADJUDICATION.

I WON'T BURDEN THE RECORD WITH FURTHER COMMENTS. I WANT TO THANK YOU ALL FOR COMING AND CLARIFYING FOR ME WHAT IT IS THAT YOU THINK I SHOULD DO AND SO NOW IT FALLS TO ME TO MAKE AN ORDER FROM TODAY TO DO IT.

IT IS MY INTENT, HOWEVER, TO PROCEED.

WHAT I'LL HAVE YOU DO IS MS. LE VU IS HERE AND SO TO THE EXTENT THAT YOU NEED TO NOW MODIFY YOUR SCHEDULE OR YOU MIGHT SPEAK WITH HER ABOUT WHAT MODIFICATIONS YOU WOULD PROPOSE WE MAKE SO THAT I COULD INCLUDE THOSE IN WHATEVER ORDER I MAKE.

OKAY.

MR. DORMAN: THANK YOU.

THE COURT: THANK YOU.

MR. HERSHKOWITZ: THANK YOU, YOUR HONOR.

(WHEREUPON, THE PROCEEDINGS IN THIS MATTER WERE CONCLUDED.)